

Mr. Pickett

Lee P

NORTHERN TRANSPORTATION COMPANY LIMITED

Annual Report 1966

Northern Transportation Company Limited

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa 4, Canada
OPERATIONS OFFICE: 10040 - 105th Street, Edmonton, Alta.

DIRECTORS

W. J. Bennett

A. B. Caywood

W. M. Gilchrist

W. B. Hunter

H. E. Lake

P. L. P. Macdonnell

OFFICERS

President: W. M. Gilchrist

Vice-President: H. E. Lake

General Manager: W. B. Hunter

Secretary: R. C. Powell

Treasurer: J. C. Orr

President's Letter

The Honourable Arthur Laing,
Minister of Indian Affairs and Northern Development,
Ottawa, Canada.

Sir:

On behalf of the Board of Directors, and in accordance with Section 85(3) of the Financial Administration Act, I have the honour to submit the Annual Report of Northern Transportation Company Limited for the year ended December 31, 1966.

Total revenue for the year amounted to \$4,038,300, down by 19% from 1965. Profit of \$106,220 after provision for income tax was 76% below the previous year. Substantial rate reductions made in 1966 and lower tonnage account for the reduction in gross revenue and profits.

Very significant tariff reductions were effected during the year on bulk oil shipments to communities in the Mackenzie valley and the Western Arctic; and the lower tonnage was due partly to reduced requirements in the re-supply of the DEW Line but principally to a substantial cut-back in oil exploration activities in those areas of the Mackenzie valley, the Western Arctic and Alaska served by your Company. Nevertheless, as indicated in last year's Report, it is anticipated that oil exploration will, in the long term, continue to increase.

As forecast in last year's Annual Report, a large capital expenditure programme was undertaken in 1966, to relocate, enlarge and refurbish certain of the Company's major installations. Of a total \$2,478,000 expended, some \$444,000 was spent at Hay River, which, with the completion of the Great Slave Railway, has now become an important southern terminus of the system, along with Waterways, Alberta. Expenditures of \$1,380,000 at Tuktoyaktuk, the base of the Company's Arctic operations, included some \$676,000 for building a wharf, pier and ramps capable of withstanding the action of ice and tide, and the necessary work area adjacent thereto. These construction programmes will be completed in the coming year.

In the face of rising costs of labour, supplies and equipment, it is a matter of satisfaction to your Company that freight rates within the Mackenzie Basin continue to be substantially below the maximum permissive levels

established by the Board of Transport Commissioners, and that rates in the Arctic are now 25% below those of the late 1950's.

The growing population and gradual improvement of living standards throughout the area served by your Company, and the increasing interest in development of the area's resources, will ensure a gradual growth of traffic over the long term. Nevertheless, as evidenced by the experience of the year under review, it is obvious that the available freight traffic can be subject to wide fluctuations from year to year, and significant changes in the tonnage of freight in any given year may occur even within the short navigation season. When such changes are on the downward side, it is not always possible to immediately reduce the amount of equipment in use in order to keep costs in direct proportion to the reduced volume of traffic. It is therefore inevitable that equipment which it is essential to maintain for high traffic will be operated at less than capacity in years of lower activity.

Your Company continues to be very conscious of the vital part which transportation plays in the development of Canada's North, recognizing its responsibility to provide adequate service at reasonable cost to all communities and residents scattered throughout a very large area, including services which cannot in themselves be self-supporting. Moreover, every effort is being made to provide as much employment as possible to local residents.

From the preliminary estimates of freight tonnages for the coming year which are now in, it would appear that operating results in 1967 will be approximately comparable with those of 1966.

Once again your Board records its warm appreciation of the continuing loyalty and efforts of the Company's employees.

For the Directors,



President

Ottawa, Canada

February 24, 1967

General Report



The following is a general report on the operations of Northern Transportation Company Limited for the year ended December 31, 1966.

Freight carried amounted to 171,065 tons, down 10% from the previous year's 190,630 tons. The reasons for this are dealt with in the President's letter earlier in this Report.

Freight revenue in 1966 amounted to \$3,983,918, with other income amounting to \$54,382. Operating costs were lower by \$197,000, from \$4,043,000 in 1965 to \$3,846,000 in 1966, despite an increase of \$95,000 in depreciation charges, increased wage rates and higher cost of operating supplies. While the lower volume of traffic has contributed to this reduction in cost, it is also partly attributable to savings effected by integration of the equipment and facilities acquired in the purchase of two transportation companies in 1965.

Operations in the Athabasca River area were fairly routine, with a marginal increase in freight handled, while a sizeable reduction in tonnage was experienced on the lower Mackenzie. Water levels on the upper rivers and the Mackenzie remained fairly good all season, with the exception of late autumn when low water conditions encountered at the San Sault Rapids resulted in some damage to the large equipment.

Improvements made during the year to the dock and shipyards, along with the construction of new bunkhouses, an office and a warehouse at Hay River, N.W.T., have facilitated operations at this agency.

In the Arctic, operations were fairly routine, with a normal breakup and reasonably good ice conditions except in the early part of the season when heavy ice was encountered between Baillie Island and Cape Parry. During this period, the D.O.T. ice-breaker "Camsell" gave invaluable assistance. No undue delays were experienced, and all cargo was delivered. The tonnage handled by the Arctic vessels was less than in the previous year, for two reasons. There was no movement of oil drilling supplies into the Colville River as in recent years, and tonnage for the DEW Line re-supply was lower than in 1965.

During the year a programme to improve the wharf facilities and working areas at Tuktoyaktuk was begun, as well as a building programme to provide a new warehouse, power house and living accommodation. The effect of these programmes, which will be completed early next year, will be evident in 1967 operations.

At the end of the season, one LST, on loan since 1957 from the U.S. Navy for DEW Line re-supply, was returned to Seattle. Of the original six vessels made available for this project, only two now remain in service.

At the peak of the 1966 season, the total work force numbered 540, of whom 142 were residents of the area served by the Company. Wages and salaries, including the Arctic operation, totalled \$2,183,912, and Company contributions to the Pension and Welfare Plans amounted to \$112,674.

NORTHERN TRANSPORTATION COMPANY LIMITED

and subsidiary companies

Consolidated Statement of Income and Expense

for the year ended December 31, 1966
(with comparative figures for the year ended December 31, 1965)

Income	1966	1965
Freight earnings	\$ 3,983,918	\$ 4,878,384
Expense		
Operations and maintenance:		
Salaries and wages	1,267,384	1,296,139
Repairs and maintenance	749,475	768,613
Depreciation	727,126	632,624
Fuels and lubricants	265,783	299,852
Messing expense	237,795	203,833
Insurance	57,354	68,999
Truck and tractor maintenance	42,355	35,509
Transportation of employees	28,166	41,090
Grants in lieu of municipal taxes	25,947	24,373
Pallet expense	24,713	59,987
Wharfage	17,204	19,078
Switching, demurrage and spur expense	7,114	11,615
Equipment rental	306	47,293
Miscellaneous	25,494	59,610
	<u>3,476,216</u>	<u>3,568,615</u>
Administration:		
Executive officers' salaries	49,198	87,782
Other salaries	95,391	123,338
Contributions to employees' pension plan	73,386	68,446
Ottawa office expense	42,000	42,000
Advertising and public relations	16,179	10,758
Business tax	15,819	15,700
Telephone and telegraph	13,551	15,542
Depreciation	12,493	12,523
Stationery and office supplies	10,542	16,879
Travelling expenses	3,985	20,885
Consultants' fees and expenses	—	26,039
Miscellaneous	37,400	34,784
	<u>369,944</u>	<u>474,676</u>
	<u>3,846,160</u>	<u>4,043,291</u>
Net income from operations	137,758	835,093
Interest from investments	52,861	82,454
Profit on disposal of capital assets	1,521	4,312
	<u>192,140</u>	<u>921,859</u>
Provision for income tax (Note 3)	85,920	473,309
Net Income	<u>\$ 106,220</u>	<u>\$ 448,550</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Surplus

for the year ended December 31, 1966
(with comparative figures for the year ended December 31, 1965)

	1966	1965
Balance at beginning of year	\$ 5,995,150	\$ 5,546,600
Transfer from Reserve for Insurance	750,000	—
Net income for the year	<u>106,220</u>	<u>448,550</u>
Balance at end of year	<u>\$ 6,851,370</u>	<u>\$ 5,995,150</u>

The accompanying notes are an integral part of the financial statements.

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NORTHERN TRANSPORTATION

and subsidiaries

(Incorporated under the laws of the State of New York)

Consolidated

Balance Sheet
at December 31, 1966
(with comparative figures for 1965)

ASSETS

	1966	1965
Current Assets:		
Cash	\$ 131,134	\$ 221,372
Short-term bank deposits	250,000	1,000,000
Accounts receivable	549,479	740,339
Operating and general supplies, at cost	532,865	520,863
Prepaid expenses	33,183	11,869
	<u>1,496,661</u>	<u>2,494,443</u>
Short-term Deposits held for		
Insurance Investment Fund	500,000	1,250,000
Capital Assets, at cost: (Note 2)		
Land	105,361	99,261
Buildings, including equipment	5,002,850	2,969,266
Boats and barges, including equipment	14,628,451	14,488,622
Automotive equipment	1,392,102	1,244,299
Other	131,579	112,049
	<u>21,260,343</u>	<u>18,913,497</u>
Less: Accumulated depreciation	15,024,394	14,339,710
	<u>6,235,949</u>	<u>4,573,787</u>
	<u>\$ 8,232,610</u>	<u>\$ 8,318,230</u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

W. M. GILCHRIST, Director

H. E. LAKE, Director

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Canada Corporations Act)

Balance Sheet

er 31, 1966

s at December 31, 1965)

LIABILITIES

	1966	1965
Current Liabilities:		
Accounts payable	\$ 391,990	\$ 577,771
Income tax payable	—	77,575
	<u>391,990</u>	<u>655,346</u>
 Deferred Income Tax (Note 3)	 337,250	 265,734
 Capital:		
Capital Stock:		
Authorized — 50,000 shares of no par value		
Issued — 1,520 shares, fully paid	152,000	152,000
Reserve for insurance	500,000	1,250,000
Surplus	6,851,370	5,995,150
	<u>7,503,370</u>	<u>7,397,150</u>
	<u>\$ 8,232,610</u>	<u>\$ 8,318,230</u>

I have examined the above Consolidated Balance Sheet and the related Consolidated Statement of Income and Expense and have reported thereon under date of February 24, 1967 to the Minister of Indian Affairs and Northern Development.

A. M. HENDERSON
Auditor General of Canada

NORTHERN TRANSPORTATION COMPANY LIMITED
and subsidiary companies

Notes to Financial Statements

1. Bases of Consolidation

The consolidated financial statements reflect the financial position and the results of operations of Northern Transportation Company Limited and its wholly-owned subsidiary companies, Yellowknife Transportation Company Limited, Arctic Shipping Limited and Decury Supply Limited.

2. Capital Assets

The value of the boats and barges of the subsidiary companies, as appraised by Boyd, Phillips & Company Limited, surveyors and appraisers, Vancouver, B.C., was \$3,486,800 at December 31, 1964 compared with a net book value of \$939,090 at that date. Since the purchase price of the capital stock exceeded the aggregate net assets of the subsidiaries by \$937,118 at date of acquisition, the value of the boats and barges has been increased by this amount.

3. Depreciation and Income Tax

The Company records depreciation based on the expected useful life of its capital assets but claims the maximum capital cost allowance permitted under the Income Tax Act in calculating its taxable income. In 1966, the permissible capital cost allowance exceeded the recorded depreciation, as a result, no income tax is payable and \$71,516 of the provision for income tax has been carried to the "Deferred Income Tax" account on the Balance Sheet. This account will be reduced in future periods when depreciation exceeds capital cost allowances claimed for income tax purposes.

4. Remuneration to Directors

Total remuneration of directors as directors, officers or employees of the Company for the year was \$30,675.

AUDITOR GENERAL OF CANADA

Ottawa, February 24, 1967.

The Honourable Arthur Laing,
Minister of Indian Affairs and
Northern Development,
Ottawa.

Sir,

I have examined the accounts and financial statements of Northern Transportation Company Limited and its subsidiary companies for the year ended December 31, 1966. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Company and its subsidiaries;
- (b) the financial statements of the Company and its subsidiaries
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the affairs of the Company and its subsidiaries as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Company and its subsidiaries for the financial year; and
- (c) the transactions of the Company and its subsidiaries that have come under my notice have been within the powers of the Company and its subsidiaries under the Financial Administration Act and any other Act applicable to the Company and its subsidiaries.

Yours faithfully,

A. M. HENDERSON

Auditor General of Canada.

The History of Northern Transportation Company Limited

Transportation by water always has been a key factor in the development of the Canadian Far North. For many years canoes, rafts and bateaux served the needs of the native populations, the explorers, the traders, trappers and prospectors, who plied the lakes and rivers of the Northwest Territories. The kayaks of the Eskimo were the only craft on the Western Arctic.

In 1931 two Edmonton businessmen, C. Becker and C. Murdoff, began to provide service as a common carrier on the Mackenzie River between Waterways, Alberta, and Aklavik, N.W.T. Their enterprise bore the name Northern Waterways Limited and made a modest beginning with one wooden vessel and two barges. In 1933 the service was extended into Bear River and Great Bear Lake to meet the needs of the Eldorado Mine at Port Radium.

The company changed hands in 1934 and the name was altered to Northern Transportation Company Limited. Eldorado Gold Mines Limited acquired the company in 1936, primarily to assure continuing and adequate service to its mine, but operation as a common carrier was maintained and the fleet was enlarged and modernized. Northern Transportation Company Limited became a Crown corporation after its parent, Eldorado Mining and Refining Limited, was expropriated by the Government of Canada.

Initiation of the Canol Project in 1941, and re-opening of the Port Radium mine in 1942, brought all Northern Transportation Company equipment into service for the duration of World War II. When the Canol Project was abandoned in 1944, the Company contracted to bring out 25,000 tons of equipment and materials. When this major task was complete, the Company carried on as a carrier of a growing volume of commercial freight.

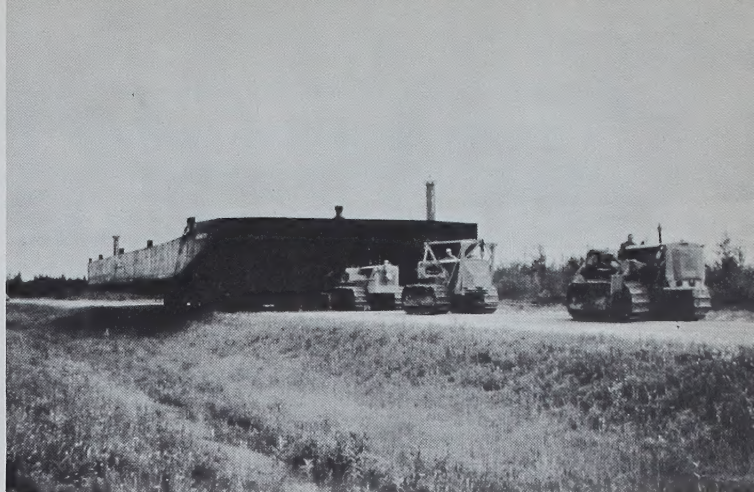
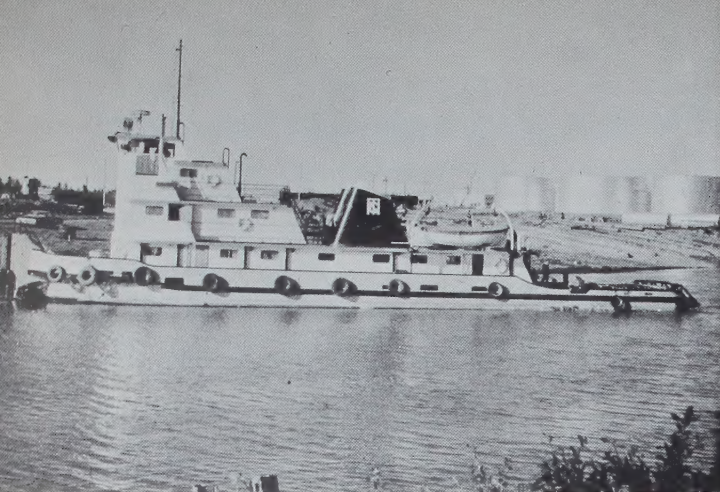
In 1946 all transportation on the Mackenzie system was brought under regulations of the Board of Transport Commissioners. When Hudson's Bay Transport discontinued operation as a common carrier in 1947, Northern Transportation Company added vessels to handle the additional freight.

The Company extended its operations into the Western Arctic for the first time in 1949, when it was requested by the R.C.A.F. to operate the supply ship "Snowbird" between Tuktoyaktuk and Cambridge Bay. Subsequently, the "Radium Dew" and three steel barges were built for delivery of construction materials and equipment for six DEW Line installations in the Mackenzie Delta, beginning in 1955. Three years later the Company began re-supply of 25 DEW Line sites along the Arctic Coast, operating LST's and tankers made available under a loan agreement between the United States and Canadian governments.

When uranium mines around Lake Athabasca were coming into the development and production stage in 1956, Northern Transportation Company built three new vessels and 27 steel barges to take care of the heavy increase in freight. Some of this equipment went into mothballs in 1960, when five mines in the Beaverlodge area, as well as the Port Radium mine, ceased operations.

In 1963, at the request of the Hudson's Bay Company, Northern Transportation Company took over the Arctic freight service provided by that organization, and acquired the motor vessel "Banksland." The following year a shipyard at Esquimalt, B.C., began construction of the motor vessel "Frank Broderick," which began plying out of her home base, Tuktoyaktuk, in July, 1965.

Early in 1965 the Company acquired Yellowknife Transportation Company Limited, Arctic Shipping Limited, and Decury Supply Limited, which had carried on somewhat parallel shipping services which are now integrated with those of Northern Transportation Company. The fleet now comprises 28 tugs, all equipped with two-way radio, radar, and echo-sounders; 112 all-steel barges of various sizes and types, including some refrigerated units; and the two vessels in the Arctic. The shipping season on the Mackenzie system normally runs from May to October, but Arctic operations usually are limited to July and August.



TOP LEFT

The Company's largest river tug, the "NTCL HUSKY" at Hay River, NWT.

TOP RIGHT

Portaging the new larger 800 series barge across the Smith portage. Two of these were made up in 1966 by cutting and joining three smaller barges.

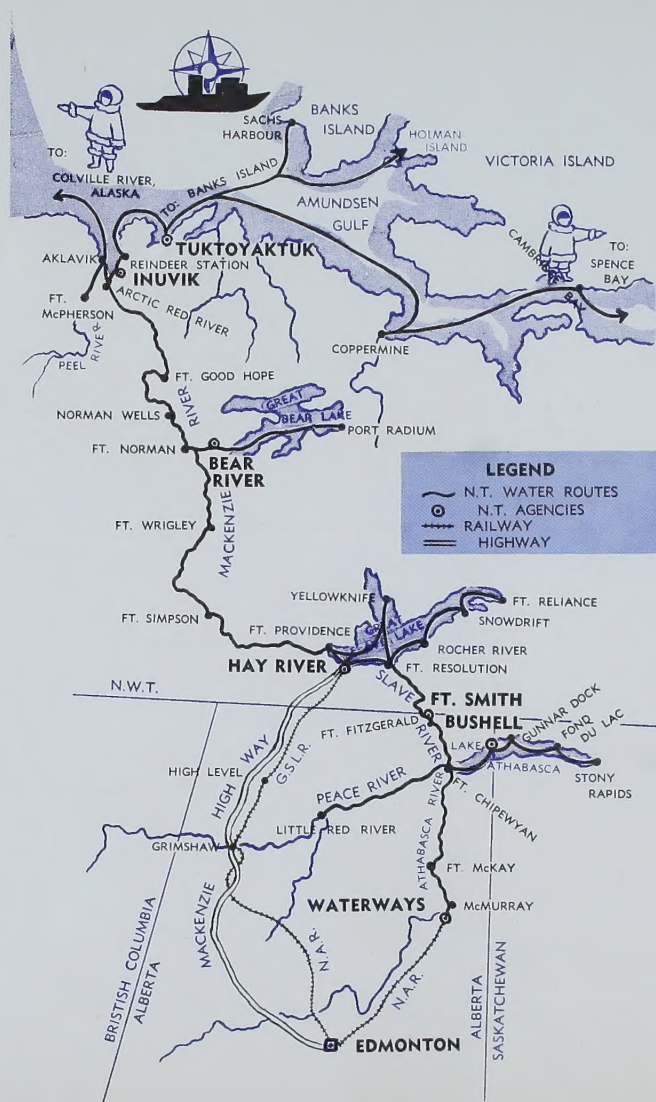
BOTTOM

The 229 ft. motor vessel, "FRANK BRODERICK" which operates in the Western Arctic. She has a carrying capacity of 1,000 tons, bow doors similar to those of wartime landing craft, and a sheathed and reinforced hull as protection against ice.



NORTHERN Transportation Company Limited

*Symbol of Service
in the Canadian North*



The Mackenzie Route to the Western Arctic

*A 4,000-mile System
Embracing
the Mackenzie Basin,
and the Western Arctic
from Boothia Peninsula
to the Colville River*

